

## Message Text

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PAGE 01 TOKYO 06854 01 OF 02 011023 Z

12

ACTION STR-08

INFO OCT-01 EUR-25 EA-11 IO-13 ADP-00 CIAE-00 DODE-00

PM-07 H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01

PRS-01 SS-15 USIA-12 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

CEA-02 AGR-20 AEC-11 GSA-01 OEP-01 SCI-06 TAR-02 MC-02

RSR-01 /230 W

----- 095590

R 010909 Z JUN 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 4301

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

LIMITED OFFICIAL USE SECTION 1 OF 2 TOKYO 6854

E. O. 11652: N/ A

TAGS: ETRD JA

SUBJ: EMBASSY FOLLOW- UP OF POINTS RAISED AT MAY 7

TRADE TALKS

REF: A. STATE 097400; B. TOKYO 6328 ( NOTAL) ; C. TOKYO 5478  
( NOTAL); D. TOKYO 5021 ( NOTAL)

SUMMARY: EMBASSY HAS BEGUN FOLLOW- UP ON POINTS RAISED  
PARA 21 REF A. INITIAL RESULTS ON VARIOUS TOPICS HAVE  
BEEN OBTAINED. EMBASSY WILL CONTINUE TO FOLLOW AND  
REPORT. END SUMMARY.

1. EMBASSY HAS BEGUN SERIES OF FOLLOW- UP DISCUSSIONS  
WITH CONCERNED GOJ MINISTRIES ON POINTS RAISED IN  
PARA 21 OF REF A. FOLLOWING COMMENTS KEYED TO THAT  
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PAGE 02 TOKYO 06854 01 OF 02 011023 Z

SECTION:

A. FURTHER JAPANESE TARIFF REDUCTIONS: GOJ CURRENTLY STUDYING US REVISED LIST PRESENTED AT MAY 7 TALKS. UKAWA, CHIEF SECOND NORTH AMERICAN DIVISION, FONOFF, STATED TO E/ COUNS ON MAY 31 THAT HE THOUGHT IT MOST UNLIKELY THAT FURTHER TARIFF REDUCTIONS WOULD BE MADE IN NEAR FUTURE. HE SAID THAT TARIFF MATTERS NORMALLY HANDLED ONLY ONCE EACH YEAR IN CONJUNCTION WITH BUDGET, THAT SITUATION IN DIET NOT CONDUCTIVE TO INTRODUCTION OF EXCEPTIONAL MOVES AT THIS TIME, AND THAT GOJ WISHED NOW TO TAKE MORE GENERAL APPROACH IN MTN. GOJ POSITION THIS SUBJECT DOES NOT APPEAR TO HAVE CHANGED FROM THAT TAKEN AT MAY 7 TALKS.

B. COMPUTERS AND IC'S : EMBASSY BELIEVES INFORMATION ON COMPUTER IMPORTS AND RELATIVE MARKET POSITIONS REQUESTED IS CONTAINED IN TOKYO A-272 OF MARCH 19, 1973, WHICH IS LATEST IN SERIES OF SEMI- ANNUAL REPORTS ON QUOTE STATUS OF ELECTRONIC DIGITAL COMPUTERS IN USE IN JAPAN UNQUOTE. THIS REPORT BASED ON JAPANESE STATISTICS WHICH CONSIDER OUTPUT OF IBM JAPAN AS QUOTE FOREIGN UNQUOTE. GOJ DOES NOT PUBLISH DATA WHICH ISOLATES IBM JAPAN PRODUCTION PORTION OF FOREIGN PRODUCTION TO ALLOW DEVELOPMENT TRUE PICTURE OF DOMESTIC AND FOREIGN SEGMENTS. EMBASSY WOULD APPRECIATE CLARIFICATION OF WHAT SPECIFIC INFORMATION REQUIRED BEYOND THAT CONTAINED IN A-272. EMBASSY CURRENTLY DEVELOPING INFORMATION REQUESTED ON IC'S. EMBASSY HAS FOLLOWED UP ON US LIBERALIZATION OBJECTIVES WITH FONOFF AND MITI. LIBERALIZATION ANNOUNCEMENT EXPECTED SHORTLY.

C. ORANGES: AGATT HAS BEEN ADVISED THAT UNDER PRESENT CIRCUMSTANCES MAF WILL NOT AGREE TO SUMMER LIBERALIZATION OF FRESH ORANGES OR TO ANY MEANINGFUL EXPANSION OF FRESH ORANGE QUOTA. MIKAN GROWERS HAVE BEEN VERY VOCAL IN RECENT WEEKS. IN THEIR DEMANDS THAT NO LIBERALIZATION OF FRESH ORANGES OCCUR, ( REF B). AS GENERAL POSITION AGRICULTURAL COMMUNITY IS IN OPPOSITION TO ANY LIBERALIZATION OR EXPANSION OF AGRICULTURAL QUOTAS. SOME DIET MEMBERS HAVE THREATENED TO BOLT LDP RANKS IF LIBERALIZATION OCCURS. SITUATION FURTHER COMPLICATED BY FACT THAT MITI LIMITED OFFICIAL USE

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PAGE 03 TOKYO 06854 01 OF 02 011023 Z

MINISTER NAKASONE STRONGLY SUPPORTING HIS FACTION MEMBER MAF MINISTER SAKURAUCHI IN OPPOSINT LIBERALIZATION. LDP CURRENTLY UNDER ATTACK FROM MANY QUARTERS AND IT UNLIKELY THAT ANYONE IN RULING PARTY WILL TAKE ACTION AT THIS TIME WHICH WOULD ANTAGONIZE MAJOR SUPPORT GROUP.

D. ORANGE JUICE: MAF OFFICIAL HAS ADVISED AGATT THAT

DECISION REACHED IN MAF TO ALLOCATE ENTIRE QUOTA ON FRUIT JUICES TO AGRICULTURAL COOPERATIVES. THIS MEANS QUOTE ONE WINDOW UNQUOTE APPROACH HAS BEEN ADOPTED. UNDER THIS PROCEDURE CENTRAL UNION OF AGRICULTURAL COOPERATIVES (ZENCHU) WILL PROBABLY ALLOCATE LARGEST PORTION TO NATIONAL FEDERATION OF AGRICULTURAL COOPERATIVES (ZENNO). EVEN THOUGH MAF HAS MADE DECISION, QUOTE ONE WINDOW UNQUOTE APPROACH IS BEING RESISTED BY SEVERAL CITRUS JUICE COOPERATIVES WHICH DESIRE GREATER CONTROL OF JUICE IMPORTS THAN THEY WOULD OBTAIN WITH ZENNO IN DOMINANT POSITION. SUCH OPPOSITION LIKELY DELAY IMPLEMENTATION OF IMPORTS UNDER QUOTE ONE WINDOW UNQUOTE PLAN.

E. QUOTAS FOR OTHER AGRICULTURAL PRODUCTS: AGATT HAS AGAIN STRESSED TO MAF US DESIRE TO HAVE EARLIER INFORMATION ON QUOTAS AND FULL YEAR FIGURES. MAF OFFICIAL (YOSHIOKA) ACCEPTED US POSITION, BUT EXPRESSED SKEPTICISM OVER POSSIBILITY OF CHANGING IRREGULAR PATTERN OF QUOTA ANNOUNCEMENT WHICH HAS BEEN POLICY OF GOJ IN RECENT YEARS. AGATT HAS REPORTED PARTIAL AND FULL JFY 73 QUOTAS ANNOUNCED TO USDA BY FASTO. MAJOR QUOTAS SO FAR ANNOUNCED ARE AS FOLLOWS: FIRST HALF OF JFY 73 - BEEF 70,000 MT GENERAL AND 500 MT FOR HOTEL USE; ORANGES 9,000 MT; CORN FOR PROCESSING 627,500 MT; FULL JFY 73 - LIVE CATTLE, 10,000 HEAD. NO QUOTAS HAVE BEEN ANNOUNCED FOR ORANGE JUICE, GRAPE JUICE OR PULSES.

F. FOREIGN INVESTMENT LIBERALIZATION: EMBASSY HAS POSED QUESTIONS TO GOJ CONTAINED IN MAY 7 POSITION PAPER. FONOFF NOTED SOME QUESTIONS SIMILAR TO THOSE THAT IT HAS RAISED WITH RELEVANT MINISTRIES. FONOFF EXPECTS TO BE IN POSITION TO RESPOND SHORTLY TO US QUESTIONS. FONOFF ALSO IN PROCESS OF PREPARING PAMPHLET FOR ITS LIMITED OFFICIAL USE

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PAGE 04 TOKYO 06854 01 OF 02 011023 Z

OVERSEAS MISSIONS ON NEW CAPITAL REGULATIONS. INITIAL EMBASSY SOUNDING OF RESIDENT US BUSINESS COMMUNITY INDICATES THAT NO IMMEDIATE CHANGE IN US INVESTMENT PATTERNS IS EXPECTED AS RESULT OF LIBERALIZATION OF DIRECT INVESTMENT CONTROLS. VIEW IS ONE OF CAUTIOUS WELCOME, WITH WAIT AND SEE ATTITUDE UNTIL MORE DETAILS ON ACTUAL OPERATION OF NEW CONTROLS AVAILABLE.

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PAGE 01 TOKYO 06854 02 OF 02 011028 Z

12

ACTION STR-08

INFO OCT-01 EUR-25 EA-11 IO-13 ADP-00 CIAE-00 DODE-00

PM-07 H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01

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RSR-01 /230 W

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R 010909 Z JUN 73

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LIMITED OFFICIAL USE SECTION 2 OF 2 TOKYO 6854

G. GOVERNMENT PROCUREMENT: EMBASSY HAS RECIEVED COPY OF FLOW CHART FOR GOVERNMENT PROCUREMENT AND COPIES OF RELEVANT PORTIONS OF LAW AND ORDINANCES WHICH CONTROL GOVERNMENT PURCHASES. THESE NOW BEING TRANSLATED AND WILL BE POUCHED WHEN TRANSLATIONS COMPLETE. FONOFF HAS ALSO REFERRED TO 1966 OECD STUDY OF GOVERNMENT PROCUREMENT AS SOURCE OF REASONABLY CURRENT INFORMATION ON JAPAN. EMBASSY HAS COPY OF JAPAN SECTION OF STUDY AND WILL POUCH WITH OTHER MATERIAL.

H. STOCKPILE PURCHASES: EMBASSY HAS BEGUN DISCUSSION OF POSSIBLE GOJ PURCHASES FROM US STOCKPILE. INITIAL REACTION FROM GOJ IS LESS THAN ENTHUSIASTIC. WE WILL CONTINUE TO PUSH THIS THEME, IN PARTICULAR AS IT RELATES TO POSSIBLE ESTABLISHMENT OF GOJ STOCKPILE AUTHORITY.

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PAGE 02 TOKYO 06854 02 OF 02 011028 Z

I. NUCLEAR REACTORS: (1) EMBASSY HAS DEVELOPED FOLLOWING INFORMATION ON PLANTS DROPPED FROM PLANNING THROUGH 1975. ONE

IS DEFINITELY A TOKYO ELECTRIC PLANT WHICH HAS SLIPPED TO 1976. SECOND PLANT DROPPED IS ONE SCHEDULED BY CHUBU ELECTRIC. PLANT PROJECTION PICTURE COMPLICATED BY FACT JAPANESE ARE IN PROCESS OF RETHINKING LONG- TERM PROJECTIONS AT PRESENT TIME IN LIGHT OF SITING AND OTHER PROBLEMS BEING ENCOUNTERED. (2) EMBASSY CURRENTLY ATTEMPTING TO DEVELOP DATA TO EITHER PROVE OR DISPROVE GOJ CONTENTION THAT US REACTORS NOW 20 PERCENT ABOVE JAPANESE REACTORS IN COST. THIS WILL PROBABLY BE DIFFICULT IF NOT IMPOSSIBLE DUE TO INABILITY OBTAIN JAPANESE COST FIGURES. REF D PROVIDES GUIDANCE ON CURRENT COSTS FOR US REACTORS BEING INSTALLED IN JAPAN. AS NOTED IN REF C, US SUPPLIERS IN JAPAN DO NOT BELIEVE THAT US COSTS ARE HIGHER THAN JAPANESE. US SOURCES ALSO BELIEVE THAT US COSTS WOULD BE REDUCED BY MULTIPLE PURCHASES WHICH WOULD ALLOW ENGINEERING AND TECHNICAL COSTS TO BE SPREAD OVER SEVERAL UNITS, RATHER THAN CHARGED ONLY AGAINST PROTOTYPE. (3) IN RESPONSE TO EMBASSY INQUIRY RE JAPANESE FINANCING FOR US NUCLEAR REACTORS, FONOFF ( UKAWA) POINTED OUT THAT SUCH PURCHASES ARE ON STRICT COMMERCIAL BASIS. HE SAID THAT JAPAN EXIM BANK WOULD BE UNABLE TO STATE ANY VIEW ON TERMS AVAILABLE UNTIL ACTUAL APPLICATION RECEIVED. HE ADDED, HOWEVER, THAT TERMS WOULD NOT BE AS FAVORABLE AS THOSE RECENTLY APPROVED FOR AIRCRAFT PURCHASES, WHICH FELL IN CATEGORY OF A SPECIAL ARRANGEMENT.

2. EMBASSY WILL CONTINUE TO FOLLOW ALL ITEMS AND REPORT DEVELOPMENTS AS THEY OCCUR.

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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**TAGS:** ETRD, JA  
**To:** EC BRUSSELS  
GENEVA  
OECD PARIS  
SECSTATE WASHDC  
STR  
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